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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, A. D. 1934.

No. 811

THE CHANDLER & PRICE COMPANY,
Petitioner,

vs.

BRANDTJEN & KLUGE, INC., and JOSEPH FREEMAN, INC.,
Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT

AND

BRIEF IN SUPPORT THEREOF

WALLACE R. LANE,
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IN THE

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Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

To the Honorable Charles E. Hughes, Chief Justice of the United States, and the Associate Justices of the Supreme Court of the United States.

Your Petitioner respectfully shows:

I.

This controversy has solely to do with the proper interpretation and application of Federal Equity Rules 30 and 37 and their relation to each other in respect to a counterclaim filed by an intervening defendant, concerning which there is a direct conflict between the decisions of the Court of Appeals of the Second and Seventh Circuits, and between different decisions of the District Court for the Northern District of California.

Respondent, Brandtjen & Kluge, Inc., filed a bill of complaint April 30, 1934, against Joseph Freeman, Inc., of Brooklyn, New York, in the United States District Court for the Eastern District of New York, charging infringement of United States Letters Patent No. 1,363,200, dated December 21, 1920, on account of the use of a certain automatic platen printing press (R. 7), which it purchased from **Petitioner,** The Chandler & Price Company, of Cleveland, Ohio, who manufactured it (R. 10).

On June 22, 1934, Petitioner, with the consent and approval of defendant (R. 16), petitioned for leave—

> "to intervene as a defendant with leave to file an answer or other defense and for such other and further relief as to the court seems just,"

on account of its great interest in the results of the controversy and because the defendant was

> "merely a nominal defendant and has not sufficient interest in the result of this suit to properly defend the same on its own account." (R. 14.)

After hearing, the District Court (Judge Inch) ordered—

> "that the said The Chandler & Price Company be and is hereby granted leave to intervene in said suit *as a party defendant*" (R. 31)

and stated in his opinion that said company will—

> "be bound by the decree in this suit."

July 9, 1934, Petitioner and Joseph Freeman, Inc. (original defendant), joined in and signed an answer, denying validity and infringement of the patent in suit. As a part of the answer, Petitioner set up a counterclaim charging Respondent with infringing another

patent solely owned by it. The patent sued upon by respondent and the one asserted against it by Petitioner relate to the same subject matter (R. 46) and—

> "a single press may and does embody the features claimed in both patents as an invention." (R. 60.)

July 20, 1934, Respondent moved to dismiss the counterclaim, asserting that the intervening defendant had no right to file it and that it would result in confusing and delaying the original cause of action. It also moved to vacate Judge Inch's order permitting Petitioner to intervene *as a defendant.*

The District Court (Judge Campbell) sustained Respondent's motion to dismiss the counterclaim (R. 40-43) and decreed the dismissal without prejudice (R. 44). Judge Campbell referred the motion to vacate Judge Inch's order permitting intervention to that judge, but plaintiff did not again press this motion, and Petitioner still remains in the case as a defendant by virtue of Judge Inch's order of June 30, 1934.

Petitioner appealed to the Court of Appeals of the Second Circuit from the decree dismissing the counterclaim. This decree was affirmed on February 4, 1935 (R. 63). On February 25, 1935, the Court of Appeals denied a petition for rehearing.

Both the District Court and the Court of Appeals held that as the counterclaim introduced an issue not available to the original defendant, it could not be set up by the intervening defendant under Equity Rule 30. The Court of Appeals, however, in its opinion stated—

> "It is true that the language of the Rule will bear the opposite construction; 'defendant' is apt enough to include 'intervening defendant.' It is also true that the Thirty-seventh Rule does not stand in the way."

"Having to choose here between an interpretation which will let in all such counterclaims or shut them all out, we choose the second."

Petitioner contends that when the trial court exercised its discretion and permitted it to intervene *as a defendant* under Equity Rule 37, and be bound by the decree in this suit, it became *a defendant* entitled to assert a counterclaim relating to the same subject-matter, under Equity Rule 30.

As Equity Rule 30 makes no distinction between an original defendant and a defendant who has been permitted to intervene, Petitioner's counterclaim is a proper one.

II.

Important Questions Involved.

The determination of this controversy involves the following questions:

1. Are the provisions of Federal Equity Rule 30 relating to counterclaims restricted to counterclaims which *must* or *may* be pled by an original defendant in contradistinction to one who has been permitted to intervene as and has been made a *defendant* by order of court under Equity Rule 37?

2. Where the user of a single device has been sued in equity for infringement of a patent and the manufacturer thereof has, with leave of court, under Equity Rule 37, intervened *as a defendant*, and assumed the entire defense to protect its interests, is such manufacturer a *defendant* under Equity Rule 30 which states that the answer—

"**must** state in short and simple form any counterclaim arising out of the transaction which is the subject matter of the suit"

and

"may without cross bill set up any set-off or counterclaim against plaintiff which may be the subject matter of an independent suit in equity against him"?

3. Where the user of a single device has been sued in equity for infringement of a patent and the manufacturer thereof has been permitted, under Equity Rule 37, to intervene and has intervened as a defendant, and assumed the entire defense in order to protect its interests, may or must such defendant manufacturer assert in its answer, under Equity Rule 30, a counterclaim which it has against plaintiff for infringement of a different patent owned by such defendant relating to the same subject-matter?

III.

Reasons for Granting the Writ.

1. The decision of the Court of Appeals of the Second Circuit in this case is in direct conflict with and "flatly contra" to the decision of the District Court of Wisconsin and the Court of Appeals of the Seventh Circuit in *U. S. Expansion Bolt Co.* v. *H. G. Kroncke Hdw. Co.*, 216 Fed. 186, affirmed 234 Fed. 868, as to the interpretation and application of Federal Equity Rules 30 and 37.

Judges in the Northern District of California have been of two minds with respect to the interpretation of these two rules, as shown by the statement of Judge Kerrigan in *Leaver et al.* v. *K. & L. Box & Lumber Co.*, 6 F. (2d) 667, where he *denied* the motion for leave to intervene with the statement—

"This presents the same question which was lately raised in the case of *Leaver et al. v. Fox*, in this court, where the same motion, made on exactly similar facts, was *granted*."

2. Whenever a conflict arises between different circuits concerning the proper interpretation and application of any of the Federal Equity Rules, promulgated by this Court, public interest requires that this Court settle that conflict promptly, and thus relieve the lower courts and litigants of burdens such as those resulting from the differences of opinion concerning Federal Equity Rule 30 (more than one hundred reported cases, see 46 Harvard Law Review 638; 35 Harvard Law Review 276) until its scope and purpose was defined by this court in—

American Mills Co. v. *American Surety Co.*, 260 U. S. 360.

Moore v. *New York Cotton Exchange*, 270 U. S. 593, 610.

Leman v. *Krentler-Arnold Co.*, 284 U. S. 448.

General Electric Co. v. *Marvel*, 287 U. S. 430, 432.

3. As Federal Equity Rule 30 makes no distinction between an original defendant and one who has been permitted to intervene as and has been made a defendant, by order of court under Equity Rule 37, with respect to what may or must be set up in the answer by counterclaim, and as the Court of Appeals of the Second Circuit shows that the use of the word "defendant" in Equity Rule 30—

> "is apt enough to include an intervening defendant"

and that—

> "the Thirty-seventh Rule does not stand in the way,"

it should have allowed the counterclaim to stand instead of dismissing it and made its decision consistent with the decision of the Court of Appeals of the Seventh Circuit in the *Expansion Bolt* case, and with the

decisions of this Court referred to in the preceding paragraph.

4. The right of litigants to have all controversial matters settled promptly in a single litigation as contemplated by Equity Rules 30 and 37 is a matter of such public interest as to call for review by this Court of the decision below.

IV.

WHEREFORE, your petitioner prays that a writ of certiorari issue under the seal of this Court, directed to the United States Circuit Court of Appeals for the Second Circuit, commanding the said court to certify and send to this Court a full and complete transcript of the record and the proceedings of the said United States Circuit Court of Appeals for the Second Circuit had in the case numbered and entitled on its docket No. 219, *Brandtjen & Kluge, Inc.*, plaintiff-appellee, *v. Joseph Freeman, Inc.*, defendant-appellee and *The Chandler & Price Company*, defendant-appellant, to the end that this cause may be reviewed and determined by this Court as provided for by the statutes of the United States; and that the judgment herein of said United States Circuit Court of Appeals for the Second Circuit be reversed by this Court, and the cause remanded to that court with directions to reverse the decree of the District Court granting plaintiff's motion to dismiss the counterclaim, and to vacate such decree, and for such further relief as this Court may deem proper.

Dated this 23rd day of March, 1935.

WALLACE R. LANE,
JOHN F. OBERLIN,
CLARENCE J. LOFTUS,
Counsel for Petitioner.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

Jurisdiction.

Petitioner would invoke the jurisdiction of this court under Section 240 (a) of the Judicial Code as amended by the Act of February 13, 1925 (U. S. C. Tit. 28, Sec. 347) to review the decree of the Circuit Court of Appeals entered February 4, 1935 (R. 63), affirming a decree of the District Court (E. D., N. Y.) dismissing a counterclaim filed by petitioner; order denying petition for rehearing entered February 25, 1935 (R. 69-70).

The petition for certiorari is presented within three months from and after the denial of petition for rehearing.

Statement of the Case.

The counterclaim dismissed by the decree of the District Court, affirmed by the decree of which review is sought, charged plaintiff suing in equity for patent infringement with acts infringing a patent owned by petitioner and relating to the same subject-matter as the patent of the bill (R. 32-37, 46). As the court below said in its opinion (R. 60):

> "It is to be assumed that a single press may, and does, embody the features claimed in both patents as an invention."

This counterclaim, which admittedly is *"in subordination to, and in recognition of the propriety of the*

main proceeding" (R. 62), was set forth in a joint answer filed by petitioner (manufacturer of the device complained of in the bill (R. 10), who intervened as a defendant with leave of court (R. 21) and assumed the entire defense) and the defendant named in the bill. Usual defenses of invalidity and non-infringement of the patent of the bill were also set forth in that answer.

The petition upon which petitioner was granted leave to intervene as a party defendant (duly sworn to by the president of petitioner and not denied) set forth (R. 9) that petitioner was the manufacturer of the device complained of in the bill of complaint, namely, a certain automatic platen printing press, and had sold it to the defendant; that subsequently to placing such device on the market petitioner had on a number of occasions been advised by customers of threats made by respondent, either directly or indirectly, that suit for infringement would be brought against them if they purchased or used such device with the result that petitioner had in a number of instances given bonds to purchasers of such devices; that the notice of infringement sent to defendant preliminary to the filing of such bill was referred to petitioner whose counsel inquired of respondent's counsel as to whether this notice was given merely as prelude to bringing suit, after having selected the Eastern District of New York as the preferred tribunal rather than bringing suit directly against petitioner in the Northern District of Ohio, and in reply was informed by counsel for respondent by letter of April 10, 1934, that decision had been reached to file suit against defendant and adding:

> "The present condition of the calendar of the District Court of Brooklyn indicates that a suit for patent infringement can be reached for trial there at an earlier date than in most other districts, and

> that was a factor which influenced us in concluding to file suit in Brooklyn;"

that in accordance with the promise of such letter respondent's counsel, under date of May 4, 1934, served on petitioner's counsel a copy of the bill of complaint as filed that day; that respondent threatened to bring suits against other users of said machines, thereby greatly injuring petitioner's business and unnecessarily harassing its customers; that respondent had never sued petitioner charging it with infringing the patent of the bill of complaint, although petitioner's device had been exhibited to respondent's counsel and with respondent's knowledge was marketed throughout the United States long before the filing of the bill; that the defendant

> "is merely a nominal defendant and has not sufficient interest in the result of the suit to properly defend the same on its own account;"

and that petitioner's intervention in this suit was necessary to the protection of its interests.

The grounds set forth for dismissal of the counterclaim were (R. 1, 38):

> (*a*) The intervener is without right to file a counterclaim for an independent cause of action to which the defendant, Joseph Freeman, Inc., is a stranger;
>
> (*b*) The counterclaim and proceedings thereon would confuse and delay the suit on the cause of action set forth in the bill of complaint.

The counterclaim was dismissed because, in the opinion of both courts, it introduced an issue not available to the original defendant and could not, therefore, be asserted under Equity Rule 30, which reads in part:

"The defendant by his answer shall set out in short and simple terms his defense to each claim asserted in the bill, . . . The answer may state as many defenses, in the alternative, regardless of consistency, as the defendant deems essential to his defense.

"The answer *must state* in short and simple form *any counterclaim arising out of the transaction which is the subject-matter of the suit, and may, without cross bill, set up any set-off or counterclaim against the plaintiff which might be the subject of an independent suit in equity against him,** and such set-off or counterclaim, so set up, shall have the same effect as a cross-suit, so as to enable the court to pronounce a final decree in the same suit on both the original and the cross-claims.

"When in the determination of a counterclaim complete relief can not be granted without the presence of parties other than those to the bill, the court shall order them to be brought in as defendants if they are subject to its jurisdiction. (As amended May 4, 1925)."

Petitioner contends (assignment of errors below, R. 49, 50) that it rather than the original defendant is the real party in interest in this suit; that it became a defendant within the meaning of Equity Rule 30 by virtue of the proceedings on its petition for leave to intervene under Equity Rule 37 and the filing of the answer; that it will, therefore, be bound by the decree in this suit; and that further, as Equity Rule 30 makes no distinction between a defendant named in the bill and one who became a defendant by intervention with leave of court, the counterclaim set forth in the answer should be permitted so that the entire controversy between the real parties in interest can be settled in a single suit as contemplated by Equity Rules 30 and 37.

* Italics ours. This and other Equity Rules cited are printed in full in Appendix, infra, p. 32.

Specification of Errors to be Urged.

The Circuit Court of Appeals erred in the decision complained of:

1. In affirming the decree of the District Court dismissing the counterclaim;

2. In failing to reverse the decree of the District Court dismissing the counterclaim and to direct that court to enter an order vacating such decree and denying plaintiff's motion to dismiss the counterclaim.

3. In misinterpreting and misapplying Federal Equity Rule 30, holding that petitioner was not entitled to set up the counterclaim of the answer.

Summary of Argument.

The decision of the Circuit Court of Appeals conflicts with the decision of the Circuit Court of Appeals for the Seventh Circuit upon similar facts in *U. S. Expansion Bolt Co.* v. *H. G. Kroncke Co.*, 234 Fed. 868, as to the interpretation and application of Federal Equity Rules 30 and 37, and permitting a counterclaim such as petitioner seeks to assert here. This is admitted in the opinion of the former court. The United States District Court for the Northern District of California has also been of two minds as to the interpretation of these rules as indicated in *Leaver* v. *K. & L. Box & Lumber Co.*, 6 F. (2d) 666, 667. Such conflicts among the lower courts as to the interpretation of these rules calls for the review by this court of the decree below.

Rejecting the precedent of the *Expansion Bolt* Case, the court below, upon a so-called "balance of advan-

tage," adopted a conflicting view (mostly dicta) of a group of cases based largely upon reasoning applicable only before the adoption of the present Federal Equity Rules, that the counterclaim introduced an issue not available to the original defendant and could not, therefore, be set up under Equity Rule 30; notwithstanding its recognition that the word "defendant" in that rule (R. 62)

> "is apt enough to include an intervening defendant"

and that

> "the Thirty-seventh Rule does not stand in the way",

and repeated liberal interpretation of both rules by this court.

This holding, in effect, limits the scope of Equity Rule 30 by importing into it a distinction between a *defendant* permitted to intervene by order of court and an *original defendant* and the saving of an exercise of discretion by the court to restrict the former to a counterclaim available to the latter. Such distinction is not expressed in the rule and is inconsistent with its scope and purpose as defined by this court in *American Mills Co.* v. *American Surety Co.*, 260 U. S. 360; *Moore* v. *New York Cotton Exchange*, 270 U. S. 593, 610; *Leman* v. *Krentler-Arnold Co.*, 284 U. S. 448; *General Electric Co.* v. *Marvel*, 287 U. S. 430. Compare Equity Rule 31. The decision thus adds to the confusion already existing among Circuit Courts of Appeals and District Courts of the United States as to the interpretation of the rule on this point. It should be reviewed and settled by this court.

The interpretation of Equity Rule 30 upon which the decision of the court below proceeds is incompatible

with public interest for it would impede the speedy and complete determination of the rights of the real parties in interest in a suit in equity, *e. g.*, in a trade controversy of the character here presented where the bill of complaint presents but one phase of the matter in controversy and petitioner intervened to protect its trade in self-defense, so to speak, to present the broader aspects of the matter and is in reality a defendant *in invitum*. See *Leary* v. *United States*, 224 U. S. 567, 574, 576, and *Aetna Casualty & Surety Co.* v. *American Surety Co.* (C. C. A. 4), 64 F. (2d) 577, 582, recognizing an absolute right of interventioin on the part of one having a direct and immediate interest in the subject of the suit.

Prompt settlement of doubt as to the meaning of the Equity Rules, and particularly Rule 30, evidenced by the mounting volume of dicta in cases cited in the opinion of the court below by review of this case is essential to the proper administration of justice in federal equity suits.

ARGUMENT.

Point I.

The Decision of the Circuit Court of Appeals for the Seventh Circuit in the Expansion Bolt Case Is in Direct Conflict With the Decision of the Circuit Court of Appeals in This Case, As the Latter Courts Admits in Its Opinion.

Upon substantially similar facts both the District Court for the Western District of Wisconsin and the Circuit Court of Appeals for the Seventh Circuit in *United States Expansion Bolt Co.* v. *H. G. Kroncke Hdw. Co. et al.*, 216 Fed. 186, affirmed 234 Fed. 868,

decided the precise issue here presented directly contrary to the decisions of the courts below.

In that case as in this, the manufacturer, a stranger to the jurisdiction, was permitted to and did intervene as a defendant in a suit in equity against a purchaser of its product and joined with the original defendant in an answer setting up proper defenses and a counterclaim charging plaintiff with infringement of a patent owned by the manufacturer, and assumed the defense to protect its interests.

There as here, the original defendant was merely a nominal defendant and had not sufficient interest in the result of the suit to defend it properly on its own account; and this was recognized by plaintiff when suit was instituted and a copy of the bill of complaint furnished (in the *Expansion Bolt* case, to the manufacturer; in the instant case, to its attorneys).

In each case the plaintiff moved to dismiss the counterclaim on grounds including those now under consideration, objection to the ruling of the lower court was preserved in proper assignments of error on appeal to the Circuit Court of Appeals and the identical questions briefed, argued and submitted to the Circuit Court of Appeals (see reference in lower court's opinion to brief in *Expansion Bolt* case, R. 62, reproduced, *infra*, pp. 35-46).

In the *Expansion Bolt* case the District Court overruled the motion to dismiss the counterclaim; the case, including the issues raised by the counterclaim, was tried; the counterclaim considered and the case decided on the merits; and on appeal the entire case was reviewed and the decision of the District Court affirmed as to the issues of patent infringement presented by the bill and counterclaim. Both courts necessarily passed on the questions raised, including the propriety of a counterclaim by a defendant who intervened as

distinguished from an original defendant, and if there is anything obscure in the opinion of either court in the *Expansion Bolt* case on this point, as the court below seems to think, that obscurity can only signify that in the *Expansion Bolt* case, both courts, interpreting and applying Equity Rule 30 in harmony with later decisions of this court as they did, were impressed with the obviousness of that interpretation of the rule which would permit matters of the character presented by the counterclaim as well as by the bill of complaint in that case—and in this case—to be disposed of in a single decree in one suit.

In the instant case both the District Court and the Circuit Court of Appeals arrived at a contrary conclusion. Rejecting the precedent of the *Expansion Bolt* case, as to the interpretation of Equity Rule 30, the court below, though recognizing (R. 60)

> "that the language of the Rule will bear the opposite construction; 'defendant' is apt enough to include 'intervening defendant',"

and that

> "the Thirty-seventh Rule does not stand in the way",

upon a so-called "balance of advantage" adopted "the flatly contra" view of a group of cases harking back to the discarded practice of the cross-bill under the old equity rules (and of admittedly uncertain reasoning), that a party who has become a defendant in a suit in equity by the route of intervention may not assert a counterclaim against a plaintiff which would not otherwise have been available to an original defendant. It thus, in effect, usurped a function of this court, and rewrote Equity Rule 30, promulgated by this court, to restrict its provisions relating to counterclaims in a

manner contrary to the scope and purpose of the rule as defined by this court.

We know of no decision of this court interpreting Rule 30, or any other Equity Rule, which indicates a distinction between a "defendant" and an "intervening defendant" in respect to the filing of a counterclaim. The liberal doctrine of interpretation of the Equity Rules in general and Rule 30 in particular announced and uniformly adhered to by this court in fact points the other way.

In *American Mills Co.* v. *American Surety Co.*, 260 U. S. 360, this court said (P. 364):

> "The new Equity Rules were intended to simplify equity pleading and practice by limiting the pleadings to a statement of ultimate facts without evidence and by uniting in one action as many issues as could conveniently be disposed of."

Again in that case this court said of that rule (p. 365):

> "The rule should be liberally construed to carry out its evident purpose of shortening litigation."

In keeping with the policy thus expressed counterclaims asserting causes of action in equity have been freely allowed, including counterclaims on patents wholly unrelated to the causes of action set forth in the bill of complaint. See *Wire Wheel Corp. of America* v. *Budd Wheel Co.* (C. C. A. 4), 288 Fed. 308, 309 (the late Chief Justice Taft sitting as Circuit Justice).

Further departure from the old practice of the cross-bill in the application of the doctrine of the *American Mills* case to counterclaims upon patents unrelated to those of the bill of complaint under Equity Rule 30 appears in *Leman* v. *Krentler-Arnold Co.*, 284 U. S. 448, and *General Electric Co.* v. *Marvel*, 287 U. S. 430,

holding that the plaintiff by the filing of his bill of complaint submits himself

> "to the jurisdiction of the court with respect to all the issues embraced in the suit including those pertaining to the counterclaim of the defendants,"

irrespective of whether the counterclaim arise out of the subject-matter of the plaintiff's suit or contain allegations of the jurisdictional requisites of Section 48 of the Judicial Code (28 U. S. C. Sec. 109).

The amendment of Rule 30 in 1925 to provide for the bringing in of additional parties,

> "when in the determination of a counterclaim complete relief cannot be granted without the presence of parties other than those to the bill,"

was in keeping with the doctrine of the *American Mills* case and these later decisions of this court.

An interpretation of Rule 30 *including* a defendant admitted by intervention, without distinction in respect to the filing of a counterclaim, not only requires no expansion of that doctrine but is fully consistent with the plain language of the rule.

The inconsistency of the interpretation of Rule 30 adopted by the court below is convincingly shown by its opinion. It admits the susceptibility of Rule 30 to the interpretation for which petitioner contends and that so interpreted petitioner's counterclaim is proper; it admits the desirability of importing into the rule the saving of an exercise of discretion by the court permitting a counterclaim by the intervener in cases where (R. 61)—

> "the intervener is practically forced into the suit,"

as here, but states that (R. 61)

> "there is no warrant for such a treatment of the rule as it stands;"

notwithstanding (R. 62),

> "upon what we deem to be the balance of advantage,"

it does in fact interpret the rule adversely to petitioner's contention by importing into the rule a qualification distinguishing a defendant who entered by intervention from an original defendant and, in effect, the saving of an exercise of discretion by the court to limit a defendant who has entered by the route of intervention to a counterclaim available to an original defendant, though there be no language in the rule susceptible of such interpretation. Thus that court in effect did what it disapproved as unwarranted.

Again, if the language of Rule 30

> "is apt enough to include 'intervening defendant' "

and is barren of any contrary indication, and

> "the Thirty-seventh Rule does not stand in the way,"

there would seem to be no occasion invoking a "balance of advantage" as a controlling factor, no justification for differently interpreting Rule 30 as if Rule 37 did stand in the way.

The opinion of Judge Kerrigan in *Leaver et al.* v. *K. & L. Box & Lumber Co.* (N. D. Cal.), 6 F. (2d) 666, 667, in which he limited an intervening manufacturer seeking to interpose a counterclaim to such affirmative relief as was open to the original defendant, refers to an earlier decision of the same court in accord with the *Expansion Bolt* case, as follows (p. 667):

> "This presents the same question which was lately raised in the case of *Leaver et al.* v. *Fox,* in this court, where the same motion, made on exactly similar facts, was granted."

That the California court was of two minds in the application of Equity Rules 30 and 37 is further evidence of such a conflict regarding the interpretation and application of these rules as to call for a review of the decree of the court below and an expression from this court more particularly defining the meaning of those provisions of the rule pertaining to counterclaims.

Prompt settlement of the interpretation of such a rule of practice promulgated by this court is essential in order that the lower courts, and litigants as well, may be relieved of the burdens and uncertainties such as those which attended the differences of opinion (in more than 100 cases) concerning the interpretation of this rule in kindred aspects prior to the decision in *American Mills Co.* v. *American Surety Co.*, 260 U. S. 360, and later decisions elsewhere herein referred to. See 46 Harvard Law Review 638, 35 Harvard Law Review 276. The importance of this is emphasized by the mounting volume of dicta indicated in the decisions cited in the opinion of the court below.

Point II.

Analysis of the Cases Cited by the Court Below on the Side of Its Holding Indicates that They Do Not in Fact Warrant It.

Of the six cases cited in the opinion on the side of the court's holding only one can fairly be said to be pertinent in fact and that reverts to the obsolete practice of the cross-bill. Two antedate the adoption of the Equity Rules and reflect an old doctrine. The others contain only dicta.

Curran, et al. v. *St. Charles Car Co.* (E. D. Mo.), 32 Fed. 835 (1887), in which the court denied leave to an

intervening defendant to file a cross-bill for unfair competition on the ground that the equitable relief sought was not available to the original defendant, was decided some twenty-five years before the adoption of Equity Rule 30 and ought not to be followed in interpreting or applying that rule, which eliminated the cross-bill of the earlier practice.

Powell et al. v. *Leicester Mills* (E. D. Pa.), 92 Fed. 115 (1899), also decided long before the adoption of the present Equity Rules, denied intervening defendants leave to amend their answer to set up a defense not available to the original defendants. The opinion does not indicate whether or not the particular defense would have been proper subject-matter of a counterclaim under Rule 30, and the case cannot be regarded as affecting the interpretation of that rule.

Atlas Underwear Co. v. *Cooper Underwear Co.* (E. D. Wis.), 210 Fed. 347, did not decide the point now under consideration.

True, leave to intervene was sought by persons desiring to set up a counterclaim for patent infringement, but the court ruled that they had no such interest in the subject of the suit as to entitle them to be admitted as parties defendant, and merely adverted to the possibility that if the *original* defendant (p. 355)—

> "were alone seeking to assert a counterclaim of the character noted, it *might* present the interesting question whether it should be allowed in view of the ruling of this court in the recent case of *Adamson* v. *Shaler*" (E. D. Wis.), 208 Fed. 566.

Moreover, the ruling in the case referred to was rejected by this court in the *American Mills* case.

Allington et al. v. *Shevlin-Hixon Co.* (D. Del.), 2 F. (2d) 747, likewise did not decide the point now presented.

The court granted plaintiffs' motion to dismiss the bill and denied the manufacturer leave to intervene because it did not seek to become a party to the cause to obtain affirmative relief therein until after the motion to dismiss the bill had been filed. Said the court (p. 749):

> "In the case at bar Burns did not seek to become a party to the cause or to obtain affirmative relief therein until after plaintiff's motion to dismiss the bill had been filed. I think he comes too late."

It expressly refrained from determining the right otherwise of the manufacturer to secure affirmative relief that was not available to the original defendant, although suggesting a query in that respect.

Chester v. *Life Association of America* (W. D. Tenn.), 4 Fed. 487 (1880), cited in *Allington* v. *Shevlin-Hixon Co.* (D. Del.), 2 F. (2d) 747, was decided more than thirty years before the adoption of the present Equity Rules. Denying intervention upon the mere refusal of consent by the original plaintiff, it reflects a doctrine quite the contrary of Rule 37, which must be considered as discarding that doctrine. The case should be regarded as of historical interest only.

Leaver v. *K. & L. Box & Lumber Co.* (N. D. Cal.), 6 F. (2d) 666, limited an intervening manufacturer seeking to interpose a counterclaim based on unfair competition to such affirmative relief as was open to the defendant, citing *Allington* v. *Shevlin-Hixon Co.* (D. C.), 2 F. (2d) 747; *Atlas Underwear Co.* v. *Cooper Underwear Co.* (D. C.), 210 Fed. 347; and *Curran* v. *St. Charles Car Co.* (C. C.), 32 F. 835, and characterized as erroneous the earlier decision of the same court to the contrary in the apparently unreported case of *Leaver* v. *Fox*. Obviously unsound and provincial is the statement of the court that

> "the reasons for a rule limiting intervening defendants to such affirmative relief as is open to the defendant of record are particularly cogent in the case before us, where, if permitted, a stranger to the original proceeding will convert a simple action for infringement against a single vendee into a suit for damages to the business of a manufacturer whose field of operations apparently is the whole United States, and whose interest here is only incidental."

Rather than *incidental,* the interest of the manufacturer is vital, as pointed out elsewhere in this brief.

Borne Scrymser Co. v. *Gaffney Mfg. Co.* (W. D. S. C.), 5 F. Supp. 405, affirmed (C. C. A. 4), 68 F. (2d) 104, struck from the original defendant's answer a counterclaim charging infringement of a patent acquired subsequent to the filing of the bill and denied leave to intervene to the owner of the legal title to the patent of the counterclaim on the ground that neither the petition nor the proposed bill of intervention concerned anything but the subject-matter of the counterclaim. In other words, the petition to intervene failed to show such an interest in the controversy as to comply with Equity Rule 37. The case is clearly not in point, for that intervener had an interest in the controversy and that the patent of intervener's counterclaim was acquired prior to the filing of the bill here are not questioned.

Surely such cases, reverting as they do to the discarded practice of the cross-bill, should not be viewed as pointing the way to the determination of this important question of practice.

Point III.

The Circuit Court of Appeals Determined An Important Question of Practice Adversely to the Public Interest.

A correct decision of the point in controversy is important not only to the immediate defendants but to the public at large.

The question here is more than one of mere private rights. Going as it does to an important question of practice, it involves the larger question of public rights. It is a matter of public policy of more than passing moment how a controversy of the character here presented, for example, shall be dealt with; whether narrowly and piecemeal, with perhaps a too tender regard for the attacking litigant, or liberally with a view to expeditious, complete settlement.

The real controversy is a trade controversy. Respondent and petitioner are competitors. By suing a user of petitioner's device respondent has questioned petitioner's right to make, sell and use the invention of its patent and the correlative right to exclude others from so doing, in a concrete instance. If petitioner is to protect that right, it cannot sit back and indulge the sniping tactics of a competitor exemplified in the bill of complaint. To do so would permit its competitor to whittle away its trade and patent rights. It has no alternative but to defend the suit and promptly assert its rights, and should be regarded as in the case *in invitum*. See *Leary* v. *United States*, 224 U. S. 567, 574, 576, and *Aetna Casualty & Surety Co.* v. *American Surety Co.* (C. C. A. 4), 64 F. (2d) 577, 582, recognizing an absolute right of intervention on the part of one having a direct and immediate interest in the subject

of the suit. And adequate defense includes the setting up of the counterclaim. Rule 30 seems to require it.

> "The transaction which is the subject-matter of the suit"

in a case such as this, for example, where the manufacturer of the accused device, the real party in interest, with leave according to accepted practice, has become a defendant and assumed the defense, embraces more than the mere use of such device by the defendant designated in the bill of complaint.

A step toward recognition of this is found in the opinion of the Circuit Court of Appeals (R. 60):

> "It is to be assumed that a single press may and does embody the features claimed in both patents as an invention."

As to this common subject-matter, which that court thus says embodies the features of both patents, respondent claims the right to make, sell and use and to exclude defendant, and, in effect, petitioner under the patent of the bill. Likewise, petitioner claims the right to make, sell and use this common printing press under the patent of the counterclaim and to exclude plaintiff from so doing. The very right of defendant to use the press which it purchased from petitioner depends on the determination of the validity and scope of both patents. A single question is thus presented, namely, who has the right to make, sell and use the press involved, respondent under the patent of the bill, or petitioner and through it defendant under the patent of the counterclaim? This question can only be answered by permitting the counterclaim to stand and letting the case go to a single decree on that one issue. It follows that the right asserted by defendants in the counterclaim—

> "arises out of the transaction which is the subject-matter of the suit."

The counterclaim, therefore, falls within the mandatory provision of Equity Rule 30, and must be set forth in the answer by counterclaim.

Moore v. *New York Cotton Exchange*, 270 U. S. 593, 610, is pertinent:

> "'Transaction' is a word of flexible meaning. It may comprehend a series of many occurrences, depending not so much upon the immediateness of their connection as upon their logical relationship."

Here both immediateness of connection and logical relationship have been demonstrated.

If, as Judge Tuttle said in permitting an intervening defendant to set up a cross-complaint seeking affirmative relief against another defendant in *United States* v. *Boynton* (E. D. Mich.), 297 Fed. 261, 268,

> "the very facts relied on by the plaintiff in support of the decree sought by it might also entitle the interveners to the relief prayed by them,"

why under converse circumstances should not a defendant who entered by intervention, as here, be permitted to set up a counterclaim seeking affirmative relief against plaintiff?

To assert its patent in an independent suit in another jurisdiction would involve a seemingly unnecessary additional suit, complicating and extending rather than simplifying and shortening litigation of what is in reality a single controversy.

The right of defendant, a purchaser of the press in question from petitioner and its resulting license to use same may best be asserted in connection with the claim of right on the part of petitioner to a monopoly of the right to make and sell as well as use the press in ques-

tion under the patent of the counterclaim. This is not giving to defendants any greater latitude than is given to a plaintiff under Equity Rule 26.

Petitioner, through its counterclaim, merely brings the controversy in these broader aspects before the court for settlement in a single decree and in a jurisdiction of respondent's own choosing. This course seems to be clearly within the scope and purpose of Rule 30 as interpreted by this court in the cases above cited. That the controversy assumes greater proportions than respondent intended and embraces two patents instead of one ought not to be a controlling factor necessitating the dismissal of the counterclaim.

In *Marconi Co.* v. *National Co.*, 206 Fed. 295, District Judge Chatfield of the Eastern District of New York pointed out that if a liberal construction of the rule renders it difficult to try together all the questions thus presented by bill and counterclaim (p. 302):

> "The court must ultimately determine what issues can be properly disposed of in a 'final judgment' in the suit and order severance accordingly."

Judge Chatfield in that case overruled a motion to strike out the counterclaim and concluded his opinion by saying:

> "In the present case, while difficulty is suggested by the nature of the subject-matter and the number of claims, it does not seem that for a trial without a jury greater difficulty would be found than in disposing of four suits in what might be termed a series, and there seems to be no reason, beyond the court's natural desire to simplify its work, for striking out the counterclaim in the present action. If it should appear that some connection of events brings this counterclaim or the cause of action upon the defendant's patents into the category of matters arising 'from the same transaction' as the

> plaintiff's own cause of action, then assuredly the court should not force the parties into the possible position of having their rights in the future shut off by the mandatory language of the first part of the section."

As Judge Mayer said in *American Brake Shoe & Foundry Co.* v. *New York Rys. Co.* (S. D. N. Y.), 293 Fed. 612, 624:

> "Equity . . . is always alert to do what is just and fair, and in the light of new developments and experience meets new problems and new conditions with appropriate decrees."

The propriety of a counterclaim by one of several defendants, irrespective of any interest of other defendants therein, is inferred in Equity Rule 31—

> ". . . If the counterclaim is one which affects the rights of other defendants they or their solicitors shall be served with a copy of the same . . ."

Petitioner, having intervened as and become a defendant and assumed the defense of the cause asserted in the bill, will, of course, be bound by the decree. If the decree be adverse it may be compelled, under the holding of the court below, to discontinue the manufacture of the accused device while respondent proceeds to make its device without interruption pending a decree in another jurisdiction in a suit against respondent on the patent which petitioner would set up in its counterclaim, thus perhaps giving respondent an important, if temporary, trade advantage that would not arise if the counterclaim were permitted and both patents litigated in the same suit.

In *Gulf Smokeless Coal Co.* v. *Sutton, Steele & Steele* (C. C. A. 4), 35 F. (2d) 433, plaintiff in a patent infringement suit was allowed to amend its bill of com-

plaint to conform to the proof and to have an injunction against a stranger to the jurisdiction, brought into the suit at the trial on the ground that it had manufactured and installed the accused device and was under contract to defend any infringement suits against its customer (the original defendant) relating thereto.

The fact that petitioner here became a defendant by intervention would not prevent its being similarly dealt with. *Vogue Co.* v. *Vogue Hat Co.* (C. C. A. 6), 12 F. (2d) 991; cer. den. 273 U. S. 706. Indeed, intervention under Rule 37 imposes no distinguishing characteristic beyond "subordination to" and "recognition of the propriety of the main proceeding." And, if subject to liability to the plaintiff without restriction, due regard for the interests of all parties would seem to require that a defendant who entered by intervention should be treated as a defendant generally and entitled to avail himself of all the instrumentalities of defense at his command, affirmative as well as negative in character. See *Automotive Products Corp.* v. *Wolverine B. & S. Co.* (C. C. A. 6), 15 F. (2d) 745.

A defendant entering by intervention, furthermore, though the real party in interest as in the case of petitioner, if restricted to a counterclaim available to an original defendant, in addition to the burden of determining at its peril whether or not it has any counterclaim arising out of the transaction which is the subject-matter of the suit, under the ruling of the court below, *must* likewise determine whether or not that counterclaim is available to an original defendant; an added burden which he should not be required to bear.

Public policy dictates speedy and complete determination of the rights of the real parties in interest in litigation in the manner which petitioner is attempting to follow in this case.

If it is inherent in the exercise of its jurisdiction that a court, once having acquired jurisdiction of the cause and the parties, may proceed to the determination of all matters arising, notwithstanding the failure of the cause upon which jurisdiction attached in the face of Sec. 48 of the Judicial Code (*Moore* v. *N. Y. Cotton Exchange*, 270 U. S. 593, 608; *General Electric Co.* v. *Marvel*, 287 U. S. 430, 432; *Hurn* v. *Oursler*, 289 U. S. 238), certainly mere considerations of the aggressor's selection of the jurisdiction and the defendant or of "the balance of advantage" ought not to dictate a contrary interpretation of Rule 30 in the absence of anything in its language indicating such interpretation.

The interpretation of Equity Rule 30 adopted by the Circuit Court of Appeals for the Second Circuit is plainly incompatible with the proper administration of justice in federal equity cases and contrary to the reason which impelled the adoption of this rule and Rule 37.

Conclusion.

The reasons stated, we think, warrant the issuance of the writ.

Respectfully submitted,

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APPENDIX.

Equity Rules.

26. JOINDER OF CAUSES OF ACTION. The plaintiff may join in one bill as many causes of action, cognizable in equity, as he may have against the defendant. But when there are more than one plaintiff the causes of action joined must be joint, and if there be more than one defendant the liability must be one asserted against all of the material defendants, or sufficient grounds must appear for uniting the causes of action in order to promote the convenient administration of justice. If it appear that any such causes of action can not be conveniently disposed of together, the court may order separate trials.

30. ANSWER—CONTENTS—COUNTERCLAIM. The defendant by his answer shall set out in short and simple terms his defense to each claim asserted in the bill, omitting mere statements of evidence and avoiding general denials, but specifically admitting, denying or explaining the facts upon which the plaintiff relies, unless he is without knowledge, in which event he shall so state, and this shall be treated as a denial. Averments other than those of value or amount of damage, when not denied, shall be deemed confessed, except as against an infant, lunatic or other person non compos and not under guardianship, but the answer may be amended, by leave of the court or judge, upon reasonable notice, so as to put any averment in issue, when justice requires it. The answer may state as many defenses, in the alternative, regardless of consistency, as the defendant deems essential to his defense.

The answer must state in short and simple form any counterclaim arising out of the transaction which is the subject-matter of the suit, and may, without cross bill, set up any set-off or counterclaim against the plaintiff which might be the subject of an independent suit in equity against him, and such set-off or counterclaim, so

set up, shall have the same effect as a cross-suit, so as to enable the court to pronounce a final decree in the same suit on both the original and the cross-claims.

When in the determination of a counterclaim complete relief can not be granted without the presence of parties other than those to the bill, the court shall order them to be brought in as defendants if they are subject to its jurisdiction. (As amended May 4, 1925.)

31. Reply—When Required—When Cause at Issue. Unless the answer assert a set-off or counterclaim no reply shall be required without special order of the court or judge, but the cause shall be deemed at issue upon the filing of the answer, and any new or affirmative matter therein shall be deemed to be denied by the plaintiff. If the answer include a set-off or counterclaim, the party against whom it is asserted shall reply within ten days after the filing of the answer, unless a longer time be allowed by the court or judge. If the counterclaim is one which affects the rights of other defendants they or their solicitors shall be served with a copy of the same within ten days from the filing thereof, and ten days shall be accorded to such defendants for filing a reply. In default of a reply, a decree pro confesso on the counterclaim may be entered as in default of an answer to the bill.

37. Parties Generally—Intervention. Every action shall be prosecuted in the name of the real party in interest, but an executor, administrator, guardian, trustee of an express trust, a party with whom or in whose name a contract has been made for the benefit of another, or a party expressly authorized by statute, may sue in his own name without joining with him the party for whose benefit the action is brought. All persons having an interest in the subject of the action and in obtaining the relief demanded may join as plaintiffs, and any person may be made a defendant who has or claims an interest adverse to the plaintiff. Any person may at any time be made a party if his presence is necessary or proper to a complete determination of the

cause. Persons having a united interest must be joined on the same side as plaintiffs or defendants, but when anyone refuses to join, he may for such reason be made a defendant.

Anyone claiming an interest in the litigation may at any time be permitted to assert his right by intervention, but the intervention shall be in subordination to, and in recognition of, the propriety of the main proceeding.